

# The IR Puzzle: PIECING IT TOGETHER

NIRI-Chicago  
2014 – 2015

## Insights from the Buy Side to Win the Competition for Capital

April 14, 2015

### Panelists:

**Judson H. Brooks, CFA**, Partner, U.S. Investment Analyst, Harris Associates L.P. (Oakmark)

**Kevin M. Chin**, Senior Vice President, Portfolio Manager, Keeley Asset Management

**Sarah Soni**, Senior Analyst, Achievement Asset Management

**Moderator:** Victoria Sivrais, Founding Partner, Clermont Partners, LLC

### Key Takeaways

- Judson Brooks and Kevin Chin work for long-only firms that hold positions for about five years. Their analysts are generalists, covering a range of industries and business models. Sarah Soni focuses on consumer equities for her hedge fund company, which is mainly long, has a horizon of six to 12 months, and expects the sell side to provide company access.
- To prep for meetings with companies, Brooks looks at the sources of their earnings and how those sources could change in five years. He studies capital allocation and compares a company's performance to industry and competitor benchmarks. Kevin Chin does the same. He's interested in profit drivers and ways a company might unlock hidden value in its business mix, supply chain and other areas. Before meeting with management, Sarah Soni talks to third parties – sell-side, industry and other buy-side sources – for data on market share, strategy and potential negative factors that could affect the companies she follows.
- How often does the buy side like to meet with company executives? For Chin, it's once or twice a year, preferably in his office. Soni prefers to meet three or four times a year with the companies her firm owns, as she looks for factors that could change performance over time. Brooks meets twice a year with management of his firm's largest holdings. "It's the quality of the meeting, not the quantity," he said. All prefer one-on-ones or smaller group meetings.
- The panelists had a positive consensus on analyst days. Soni finds them especially helpful when there's been a material change in the management team: "You can learn how newer leaders view the strategy." Brooks appreciates the access to lower-level management, not just the C suite, and finds the additional detail in their analyst day presentations to be useful long after the event.
- What about guidance? Should it be quarterly? Annually? Never? Chin had no preference, while Soni noted that being consistent is most important. Brooks recommended *not* giving guidance on the grounds that it's a distraction with no impact on long-term performance.
- Two panelists look for "clues" in management meetings and conference calls. Soni and Chin said they heed subtle cues conveyed through body language, the voice and other "tells." Said Chin, "There's something to be said for *listening* to a call [for tone], rather than reading a transcript of it." Brooks said he isn't swayed by those things.

– Mary Jo Bohr